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FDIC

JUL 29 2005

OFFICE OF THE CHAIRMAN

July 25, 2005

The Honorable Donald E. Powell
Chairman, FDIC
550 17th St. NW
Washington DC 20429

RE: NCRC Comment Opposing Wal-Mart's Application to Establish an
Industrial Loan Company

Dear Chairman Powell:

The National Community Reinvestment Coalition (NCRC), the nation's economic justice trade association of 600 member organizations, opposes Wal-Mart's application to establish an industrial loan company because this application would represent a dangerous mixing of banking and commerce. Moreover, several unsettled questions remain regarding Wal-Mart's corporate practices, including outstanding lawsuits regarding employment discrimination and Wal-Mart's pricing behavior.

Wal-Mart seeks an industrial loan company that would process credit card, debit card, and electronic check transactions. This industrial loan company would process hundreds of millions of transactions according to Wal-Mart officials. As such, the industrial loan company would represent a revenue source that would generate billions of dollars. NCRC believes that a loan company of this size would pose significant safety and soundness dangers. The strongest firewalls imaginable would not thwart the temptation for Wal-Mart to use loan company revenue to further expand its commercial business. The temptations for risky and anti-competitive behavior would be simply too great if Wal-Mart owned an industrial loan company of this size.

Numerous stakeholders have documented Wal-Mart's propensity to undercut competition and then raise prices after the competitors go out of business. It would seem that owning a significant industrial loan company would only intensify this type of behavior. The FDIC must thoroughly investigate allegations of anti-competitive behavior by Wal-Mart as well as outstanding lawsuits alleging race and gender discrimination in promotions and hiring. These practices relate specifically to the managerial factors that bank regulatory agencies must consider when ruling on bank applications.

In conclusion, NCRC does not believe that this application would promote community reinvestment, economic development, nor fair access to reasonably priced credit. The application would be an unhealthy and

dangerous combination of banking and commerce. If the FDIC approves the application, we believe that Wal-Mart would be knocking on the door a few years down the road, asking for yet greater banking powers. Regulatory agencies should not decide on their own to re-shape entire industries. These monumental decisions are best left to Congress, the elected body of the public.

Sincerely,

John Taylor
President and CEO

Cc:

John F. Carter, Regional Director, San Francisco Regional Office
Linda Ortega, Community Affairs Officer